

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 9059  
**COMPANY NAME** : TSH Resources Berhad  
**FINANCIAL YEAR** : December 31, 2018

## OUTLINE:

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b>	: Applied								
<b>Explanation on application of the practice</b>	<table border="1"> <thead> <tr> <th data-bbox="555 929 836 996"><b>Area of Focus</b></th> <th data-bbox="836 929 1386 996"><b>Matters considered by the Board</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="555 996 836 1563"><b>Reviewing and adopting the Group's strategic plan</b></td> <td data-bbox="836 996 1386 1563">The Board is responsible for the Group's strategic plan with a view to maximizing shareholder value and promoting sustainability. This includes review, comment and provide final approval of the Group's strategic plan prepared by management. In conjunction with this, the Board also reviews and approves long term budget, business plan and annual budget for the ensuing year and monitors management's implementation of and performance with respect to that agreed strategic plan.</td> </tr> <tr> <td data-bbox="555 1563 836 1794"><b>Overseeing the conduct of the Group's business</b></td> <td data-bbox="836 1563 1386 1794">The Board carries out periodic review of the achievements by the various operating divisions against their respective operational targets to determine whether these divisions are properly managed.</td> </tr> <tr> <td data-bbox="555 1794 836 2022"><b>Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation</b></td> <td data-bbox="836 1794 1386 2022">The Board maintains a sound system of internal control to safeguard shareholders' investment and the Company's assets. The Board through the Audit Committee reviews the effectiveness of the Enterprise Risk Management system within the Group</td> </tr> </tbody> </table>	<b>Area of Focus</b>	<b>Matters considered by the Board</b>	<b>Reviewing and adopting the Group's strategic plan</b>	The Board is responsible for the Group's strategic plan with a view to maximizing shareholder value and promoting sustainability. This includes review, comment and provide final approval of the Group's strategic plan prepared by management. In conjunction with this, the Board also reviews and approves long term budget, business plan and annual budget for the ensuing year and monitors management's implementation of and performance with respect to that agreed strategic plan.	<b>Overseeing the conduct of the Group's business</b>	The Board carries out periodic review of the achievements by the various operating divisions against their respective operational targets to determine whether these divisions are properly managed.	<b>Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation</b>	The Board maintains a sound system of internal control to safeguard shareholders' investment and the Company's assets. The Board through the Audit Committee reviews the effectiveness of the Enterprise Risk Management system within the Group
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	<p><b>measures</b></p>	<p>and assures that material risks are identified and appropriate risk management processes are in place, including the formulation and subsequent updating of appropriate Group policies.</p> <p>Audit Committee ensures that policy to identify and evaluate the Company and Group’s risks is implemented and that controls in place are adequate and functioning properly to address the risks. In that relation, the Chief Financial Officer is required to complete questionnaires so as to provide the Audit Committee with information on the risk and control environment of the Group.</p> <p>Details of the Group’s Enterprise Risk Management system are set out in the Statement on Risk Management and Internal Control disclosed in the Annual Report.</p>
	<p><b>Succession planning</b></p>	<p>The Board has entrusted the Nomination Committee with the responsibility for reviewing the Board’s succession plans, proposing new nominees to the Board and recommending Directors to fill the seats on the Board Committees.</p> <p>The Board continues with its role to review and monitor the appointment and dismissal of senior management of the Company while the Group Managing Director is responsible for the senior management succession plan. The senior management succession plan involves building a talent-rich organization by attracting and developing talented and skilled people who fit in the Company’s culture and business strategy as well as identifying successors for senior management positions. All newly appointed senior management are required to undergo a management training programme called “One Approach”</p>

		before reporting to their assigned positions with the purpose of providing them the right framework in executing their work.
	<b>Overseeing the development and implementation of a shareholder communications policy</b>	<p>TSH values dialogue with shareholders and appreciates the keen interest of shareholders on the Group's performance. In this regard, Frederick Tan Aik Yong has been appointed as the person responsible for communication with shareholders and other stakeholders of the Company.</p> <p>The Company has a Corporate Disclosure Policy and Procedures that outlines the policies and processes for communications with shareholders, analysts and investors to ensure that the communications are effective and comply with the applicable laws, rules and regulations.</p>
	<b>Reviewing the adequacy and the integrity of the management information and internal controls system</b>	The Board is responsible for the adequacy and integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines. Details pertaining to the Company's internal control system and the review of its effectiveness are set out in the Statement on Risk Management and Internal Control of the Annual Report.
	<b>Strategies Promoting Sustainability</b>	The Board places great importance on corporate responsibility and business sustainability. The Company's activities on environment, social and governance for the year under review are disclosed in the Annual Report.
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Datuk (Dr.) Kelvin Tan Aik Pen is the Chairman of the Board. He plays a pivotal role in instilling Company's commitment to uphold corporate governance.</p> <p>He oversees the orderly conduct and effectiveness of the Board by ensuring a cohesive working relationship between members of the Board. He is also responsible to ensure that quality information to facilitate decision-making is delivered to Board members on a timely basis and encourage all Directors to play an active role in Board activities. He maintains a close professional relationship with the Group Managing Director and acts as mentor as required.</p> <p>Position description of the Chairman is set out in the TSH Corporate Governance Guidelines. These Guidelines will be periodically reviewed by the Board to align with the Company's objectives, current law and practices.</p> <p>Performance evaluation of the Chairman is conducted annually by the Nomination Committee. The Chairman of the Nomination Committee shall then report the findings and/or recommendations to the Board.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.3

The positions of Chairman and CEO are held by different individuals.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The positions of Chairman (Datuk (Dr.) Kelvin Tan Aik Pen), who is a Non-Executive Director and Group Managing Director (Dato' Aik Sim, Tan) are individually held by two persons to ensure a balance of power and authority.  There is a clear distinction between the roles and responsibilities of the Chairman and Group Managing Director which are set out in the TSH Corporate Governance Guidelines.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is supported by a qualified Company Secretary who is a member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA").</p> <p>The Company Secretary, Ms Chow Yeen Lee has 23 years' experience in corporate secretarial practice. Role and functions of the Company Secretary are set out in the TSH Corporate Governance Guidelines. The following are some of the key significant role of the Company Secretary:</p> <ul style="list-style-type: none"><li>• assisting with induction and professional development of Directors;</li><li>• regularly updating the Board on new changes to the statutory and regulatory requirements and the resultant implications to the Company and the Board in discharging their duties and responsibilities;</li><li>• notifying Directors and principal officers on the closed periods for dealing in the Company's securities;</li><li>• advising and supporting the Chairman and the Board and its Board Committees to manage the day to day governance framework of the Company;</li><li>• facilitating timely communication of decisions made or policies set by the Board to Board Committees and senior management for action;</li><li>• co-ordinating all Board and Board Committee meetings including agendas, board papers and communication with the stock exchange and other regulatory agencies as well as oversight on overall secretarial functions of TSH Group, both in Malaysia and the region where the Group operates; and</li><li>• ensuring minutes of meetings accurately reflect the deliberations and decisions of the Board, including whether any Director abstained from voting or deliberating on a particular matter.</li></ul>

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>All Directors are provided with an agenda and a set of Board papers containing information relevant to the business of the meeting, including information on financial, operational and corporate matters prior to Board meetings. Members of the Committee are also provided with the meeting agenda and relevant papers submitted by management to enable full deliberation on the issues to be considered at the respective meetings. Minutes of the Board and Committees' meetings are circulated to all Board members.</p> <p>For each Board and Committee meeting, the meeting papers are, to the extent feasible, provided/made available 5 working days prior to each Board meeting so that Directors have sufficient time to read and understand the information and obtain further information, clarification or explanation, where necessary. Minutes of meetings are circulated to all Board members on a timely manner (within 10 working days).</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

**Practice 2.1**

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has adopted a Board Charter which serves as a source of reference and primary induction literature, providing insights to prospective Board members and senior management. The Board Charter will be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities.</p> <p>The Board Charter was reviewed and updated in February 2018 and details of the Board Charter are available for reference on TSH's website.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Company has adopted a code of ethics which applies to Directors, officers and employees of the Group and is available on the Company's website.</p> <p>The Board of Directors of TSH continues to adhere to the Code of Ethics for Company Directors issued by the Companies Commission of Malaysia ("Code of Ethics").</p> <p>The Board is ultimately responsible for the implementation of this Code of Ethics. The Board has delegated to the Nomination Committee the responsibility to administer this Code of Ethics. Directors who learn of or suspect that a violation of the Code of Ethics has occurred or is likely to occur must immediately report the violation to the Chairman of the Nomination Committee, or to any other member of the Nomination Committee. In the case of issues regarding the Company's financial statements, financial reporting, accounting, auditing matters or internal accounting controls, it will be reported to the Chairman of the Audit Committee. If a Director is unsure whether a violation should be reported to the Nomination or the Audit Committee, he or she is encouraged to report to both Committees. Directors who report violations or suspected violations in good faith will not be subject to retaliation of any kind. Reported violations will be treated confidentially to the extent possible.</p> <p>Alleged violations of the Code of Ethics shall be investigated by the Nomination Committee and may result in discipline and other action at the discretion of the Board upon recommendation of the Nomination Committee, including, where appropriate, removal from the Board. The Board is ultimately responsible for the investigation and resolution of all issues that may arise under this Code of Ethics.</p> <p>TSH Employee's Code of Ethics guides the employee's conduct in the workplace, business conduct when dealing with external parties, key issues such as conflict of interests, bribery, confidentiality and privacy</p>

	<p>as well as protection and proper use of TSH’s assets and resources. All employees are expected to observe and adhere to the highest standard of professional conduct and to maintain the Group’s reputation for integrity and professionalism.</p> <p>To tackle new challenges, TSH Employee’s Code of Ethics had been revised in March 2018 to include issues on anti-corruption, insider trading and money laundering.</p>	
<b>Explanation for departure</b> :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>As part of best practices in good corporate governance, a Whistle-Blowing Policy had been established by the Board since February 2010 that outlines the principles underpinning the policy and grievance procedures. This policy provides an avenue for employees to report genuine concerns about malpractices, unethical behaviour or misconduct within the Group without fear of reprisal. Identity of the employee will not be disclosed without prior consent. Any concerns raised will be investigated and outcome of such investigation will be reported to the Board and appropriate action will be taken to resolve the issue.</p> <p>Details of whistle-blowing channel are available on the Company's website at <a href="http://www.tsh.com.my">www.tsh.com.my</a>.</p> <p>Details of Grievance procedures are set out in the TSH Corporate Governance Guidelines.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>For the period from January to May 2018, the Board comprised of 10 members, 4 Independent Non-Executive Directors, 3 Non-Independent Non-Executive Directors, one of whom is the Chairman and 3 Executive Directors, including Group Managing Director.</p> <p>The no. of Independent Directors reduced to 3 following the retirement of Datuk Jaswant Singh Kler as director at the conclusion of the last AGM held on 24 May 2018.</p> <p>On 2 July 2018, Ms Natasha binti Mohd Zulkifli was appointed to the Board as Independent Non-Executive Director.</p> <p>On 1 November 2018, one of the Non-Independent Non-Executive Directors, Mr Chew Siew Yeng was re-designated as Independent Non-Executive Director following his fulfilment of independent director criteria as prescribed under the Bursa Securities Listing Requirements.</p> <p>With the above changes, TSH has 10 Board members comprising 5 Independent Non-Executive Directors, 2 Non-Independent Non-Executive Directors, one of whom is the Chairman and 3 Executive Directors, including Group Managing Director.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	:	Not applicable - No independent director(s) serving beyond 9 years	
<b>Explanation on application of the practice</b>	:	Datuk Jaswant Singh Kler who had served the Board as Independent Non-Executive Director for the past 19 years, decided to retire at the conclusion of the last AGM held on 24 May 2018. Henceforth, no other independent directors have been serving beyond 9 years.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.3 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.4**

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is committed to ensuring diversity in its composition and embraces the proposition that having a diverse Board would have a positive, value-adding impact on the Company.</p> <p>While the Board acknowledges the importance of boardroom and senior management diversity, appointments to the Board and senior management positions shall always be based on objective criteria and merit, having due regard for diversity in business experience, skills, qualifications, integrity, age, gender, knowledge and other soft attributes which are the essential element in supporting the attainment of the Company’s objectives.</p> <p>The Company practices equal employment opportunities for all qualified individuals to create a workforce that is fair and inclusive and seeks to retain and attract the best people to do the job.</p> <p>We reward and promote our people based on assessment of individual performance, capability and potential. We are committed to providing opportunities that allow individuals to reach their full potential irrespective of individual background or difference.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board does not have a specific policy on setting targets for women candidates and ethnicity as the Board believes that it is of utmost importance that the Company has an effective composition of the Board to discharge their duties effectively in the best interest of the Company and shareholders. The Board believes that while it is important to promote gender diversity, it should not set a target just to fill the required vacancy for gender diversity as the over-riding criteria for selection should be based on an effective blend of competencies, skills, experience and knowledge in areas identified by the Board.	
		As and when vacancy arises, gender diversity will be a key criteria in our selection consideration.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.6**

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	In line with the recommendation of the Malaysian Code on Corporate Governance, apart from referrals from Directors, major shareholders and management, the Nomination Committee also explores external sources to identify suitably qualified candidates when vacancy arises. This approach was approved by the Board in February 2018 for inclusion in the Nomination Committee's term of reference.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chair of the Nomination Committee is held by a Senior Independent Director, Selina binti Yeop Junior @ Lope. She was appointed on 24 May 2018 as the Senior Independent Director to replace Datuk Jaswant Singh Kler who had ceased to be the Senior Independent Director and Chairman of the Nomination Committee following his retirement as a Director at the conclusion of the last AGM held on 24 May 2018.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

### Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The effectiveness of the board is vital to the success of the Group and Company undertakes a formal evaluation each year in order to assess the effectiveness of the Board and Audit Committee.</p> <p>During the financial year 2018, an annual assessment of the effectiveness of the board as a whole, individual directors, Board Committees and independence of its independent directors was conducted. The assessment was led by the Nomination Committee's Chairman and supported by the Company Secretary. The annual assessment was considered by the Nomination Committee, which then made recommendation to the Board to discharge its duties and responsibilities.</p> <p>The assessment of the Board is based on five main areas relating to Board composition and competencies, Board succession, Board meeting organisation and effectiveness, Board Chairman's roles and responsibilities and Board effectiveness. Amongst the most important criteria for evaluating board performances are:</p> <ul style="list-style-type: none"><li>• individual Board member's understanding of the Company's mission and strategic plan;</li><li>• Board members' understanding and knowledge of the Company's business;</li><li>• time commitment in deliberation and meaningful participation in the Board meetings; and</li><li>• Board meetings are conducted in a manner that allows for open and constructive communication, encourages focused discussions, critical questioning and the expression of various viewpoints and timely resolution of issues related to the Board meetings.</li></ul> <p>The assessment criteria for Board Committees includes the Board Committees' structure and composition, roles and responsibilities, meetings and communication as well as the collective skills and</p>

expertise of the Committee members.

For individual Director's evaluation, the assessment criteria include abilities and competencies, calibre and personality, objectivity and contribution to the activities of the Board and Board Committees.

Each member of the Nomination Committee receives the Board performance evaluation questionnaires and separate Committee performance evaluation forms. The assessment of the Nomination Committee's performance shall be carried out by individual members of the Nomination Committee. All Board members are required to assess their own performance by completing the Director's performance evaluation form.

The Company Secretary shall compile the results for submission to the Nomination Committee for review and assessment. The Chairman of the Nomination Committee shall then report the findings and/or recommendations to the Board. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions are properly documented and kept confidential.

The performance of those Directors who are subject to re-election at the forthcoming AGM are assessed by the Nomination Committee whereupon recommendations are submitted to the Board for decision on the tabling of the proposed re-election of the Directors concerned for shareholders' approval. In accordance with the Company's Constitution, all Directors shall retire from office once at least in each three years, but shall be eligible for re-election. A Director seeking re-election will abstain from all deliberations regarding his re-election to the Board.

During 2018, the Nomination Committee reviewed the required mix of skills, experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board and was of the view that current composition of Non-Executive Directors reflects a good mix of Directors with diverse professional backgrounds and a wide range of experiences in business, finance and general management that contributed effectively in leading and directing the management and affairs of the Group.

The Nomination Committee also evaluated the effectiveness of the Board as a whole, the various Committees and assessing the contribution of each individual Director. Good and effective communications were established among Board members and Board Committee members on official and unofficial basis and major policies and corporate proposals were vigorously debated and scrutinised before putting to a vote. All members of the Board and the Committees have been diligent and exercised due reasonable care in discharging their duties and responsibilities. All Directors are firmly committed to ensure that the corporate governance standards are adhered to.

An assessment of independence of the Independent Directors was conducted whereby the Nomination Committee reviewed and was satisfied that the Independent Directors continued to exercise independent and objective judgement and acted in the interest of the Company and its stakeholders.

The Nomination Committee also reviewed and made recommendations to the Board of the following:

- (1) considered and assessed the suitability of Natasha binti Mohd Zulkifli for appointment to the Board based on a set of prescribed criteria, including but not limited to skills, knowledge, expertise and experience, professionalism and integrity. In addition, evaluation on her ability to discharge responsibilities/functions as expected from independent non-executive director;
- (2) changes to the composition of Board Committees, including the appointment of Chairmen for the various Committees and the appointment of a Senior Independent Director;
- (3) re-election of the retiring Directors at the forthcoming AGM for shareholders' approval; and
- (4) assessed directors' training needs to ensure all Directors receive appropriate continuous training programmes in order to keep abreast with the latest development in the market place and with changes in the statutory and regulatory requirements. The following are the various seminars, briefing, talk, dialogue and/or workshop attended by all Directors in 2018 either collectively or individually:

<b><i>Title of training</i></b>	<b><i>Type of training</i></b>	<b><i>No. of days/hours spent</i></b>
• Tax briefing on 2019 Malaysian Budget	Briefing	½ day
• Training for Directors: Companies Act 2016	Seminar	1 day
• International Congress and Convention Association, Dubai UAE	Seminar	4 days
• Corporate Governance Briefing sessions – MSSG report & CG Guide	Briefing	½ day
• PowerTalk & Directors Dialogue: People, Purpose and performance	Dialogue	½ day
• Non-Financials-Does it Matter	Briefing	½ day

		<ul style="list-style-type: none"> <li>• Mandatory Accreditation Programme for Directors of Public Listed Companies</li> </ul>	Seminar	2 days
		<ul style="list-style-type: none"> <li>• RHB POC 2018-Peak Palm Oil &amp; Where Global Economic Winds are Blowing Palm Oil Prices</li> </ul>	Seminar	½ day
		<ul style="list-style-type: none"> <li>• Standard Chartered Bank-IFRS 9 Hedge Accounting Workshop</li> </ul>	Workshop	½ day
		<ul style="list-style-type: none"> <li>• CFA – MFRS 9 Financial Instruments</li> </ul>	Talk	½ day
		<ul style="list-style-type: none"> <li>• DBS Plantation Conference</li> </ul>	Conference	1 day
<b>Explanation for departure</b>	:			
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>				
<b>Measure</b>	:			
<b>Timeframe</b>	:			

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has established a formal remuneration policy for the Directors and senior management. The policies and procedures are periodically reviewed and made available on the Company's website at <a href="http://www.tsh.com.my">www.tsh.com.my</a>.</p> <p>The Remuneration Committee assists the Board in determining a remuneration framework or broad policy for Executive Directors and senior management staff at director level. The Remuneration Committee may obtain professional advice and any other information necessary in determining the remuneration framework.</p> <p>The Board as a whole determines the remuneration package of Non-Executive Directors including Non-Executive Chairman, taking into consideration of fee levels and trends for similar positions in the market, time commitment required from the Director as well as any additional responsibilities undertaken by such Director. The Non-Executive Directors abstain from discussing their own remuneration.</p> <p>Decisions on remuneration for senior management are made through a transparent and independent process taking into consideration of market practices, demand for personnel with specific qualification, experience and evaluation of their performance.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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## Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

## Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Remuneration Committee annually reviews the remuneration package of Directors and senior management taking into consideration their level of responsibilities and performance. Remuneration of Executive Directors is also linked to the financial performance of the Group.</p> <p>The Board as a whole determines and recommends the remuneration of the Non-Executive Directors for shareholders' approval at the AGM.</p> <p>The Non-Executive Directors are remunerated through monthly fixed fees, Board Committee allowance, monthly allowance, business travelling allowance, petrol allowance and other benefits-in-kind, including company car and driver as well as other emoluments.</p> <p>Section 230(1) of the Companies Act 2016 stipulates among others that the fees and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. As agreed by the Board, the shareholders' approval shall be sought at the forthcoming AGM on the Non-Executive Directors' remuneration through two (2) separate resolutions as follows:</p> <p>(i) <b>Ordinary Resolution 2</b> on payment of Non-Executive Directors' fees of RM177,000 for the financial year ended 31 December 2018; and</p> <p>(ii) <b>Ordinary Resolution 3</b> on the payment of Directors' benefits (excluding Directors' fees) of up to an aggregate amount of RM1,610,000 from 29 May 2019 until the next AGM of the Company in 2020.</p> <p>The Group Managing Director will be guided by the Remuneration Committee in determining remuneration packages for senior</p>

	<p>management which is based on individual's performance during the year measured against the corporate objectives.</p> <p>The Remuneration Committee's terms of reference is available on the Company's website at <a href="http://www.tsh.com.my">www.tsh.com.my</a>.</p>	
<b>Explanation for departure</b> :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

<b>Application</b>	: Applied																																																																																																						
<b>Explanation on application of the practice</b>	: The remuneration received by each of the Directors in 2018 is set out in the tables below:- <table border="1" style="margin-left: 20px;"> <thead> <tr> <th></th> <th colspan="5"><i>Total per annum for the financial year ended 31 December 2018</i></th> </tr> <tr> <th></th> <th colspan="5"><i>Company</i></th> </tr> <tr> <th></th> <th><i>Fees RM</i></th> <th><i>Salaries &amp; Bonus RM</i></th> <th><i>Allowance RM</i></th> <th><i>Other emoluments RM</i></th> <th><i>Benefits-in- kind RM</i></th> </tr> </thead> <tbody> <tr> <td colspan="6"><b>Executive Directors</b></td> </tr> <tr> <td>Dato' Aik Sim, Tan</td> <td></td> <td>3,315,000</td> <td></td> <td>397,800</td> <td>315,756</td> </tr> <tr> <td>Tan Aik Kiong</td> <td></td> <td>1,734,000</td> <td></td> <td>208,080</td> <td>120,055</td> </tr> <tr> <td>Tan Aik Yong</td> <td></td> <td>1,020,000</td> <td></td> <td>122,400</td> <td>168,660</td> </tr> <tr> <td colspan="6"><b>Non-Executive Directors</b></td> </tr> <tr> <td>Datuk (Dr.) Kelvin Tan Aik Pen</td> <td></td> <td></td> <td></td> <td>477,000</td> <td>339,543</td> </tr> <tr> <td>Dato' Jasmy bin Ismail</td> <td>36,000</td> <td></td> <td>13,500</td> <td></td> <td></td> </tr> <tr> <td>Selina binti Yeop Junior @ Lope</td> <td>36,000</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Natasha binti Mohd Zulkifli (appointed on 2 July 2018)</td> <td>18,000</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Yap Boon Teck</td> <td>36,000</td> <td></td> <td>12,000</td> <td></td> <td></td> </tr> <tr> <td>Chew Siew Yeng</td> <td>36,000</td> <td></td> <td>8,500</td> <td></td> <td></td> </tr> <tr> <td>Lim Fook Hin</td> <td></td> <td></td> <td></td> <td>325,950</td> <td>113,958</td> </tr> <tr> <td>Datuk Jaswant Singh Kler (retired on 24 May 2018)</td> <td>15,000</td> <td></td> <td>6,000</td> <td></td> <td></td> </tr> <tr> <td><b>TOTAL</b></td> <td><b>177,000</b></td> <td><b>6,069,000</b></td> <td><b>40,000</b></td> <td><b>1,531,230</b></td> <td><b>1,057,972</b></td> </tr> </tbody> </table>		<i>Total per annum for the financial year ended 31 December 2018</i>						<i>Company</i>						<i>Fees RM</i>	<i>Salaries &amp; Bonus RM</i>	<i>Allowance RM</i>	<i>Other emoluments RM</i>	<i>Benefits-in- kind RM</i>	<b>Executive Directors</b>						Dato' Aik Sim, Tan		3,315,000		397,800	315,756	Tan Aik Kiong		1,734,000		208,080	120,055	Tan Aik Yong		1,020,000		122,400	168,660	<b>Non-Executive Directors</b>						Datuk (Dr.) Kelvin Tan Aik Pen				477,000	339,543	Dato' Jasmy bin Ismail	36,000		13,500			Selina binti Yeop Junior @ Lope	36,000					Natasha binti Mohd Zulkifli (appointed on 2 July 2018)	18,000					Yap Boon Teck	36,000		12,000			Chew Siew Yeng	36,000		8,500			Lim Fook Hin				325,950	113,958	Datuk Jaswant Singh Kler (retired on 24 May 2018)	15,000		6,000			<b>TOTAL</b>	<b>177,000</b>	<b>6,069,000</b>	<b>40,000</b>	<b>1,531,230</b>	<b>1,057,972</b>
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		<b>Total per annum for the financial year ended 31 December 2018</b>				
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		<b>Fees RM</b>	<b>Salaries &amp; Bonus RM</b>	<b>Allowance RM</b>	<b>Other emoluments RM</b>	<b>Benefits-in- kind RM</b>
<b>Executive Directors</b>						
Dato' Aik Sim, Tan			3,385,000		406,900	315,756
Tan Aik Kiong			1,734,000		208,080	120,055
Tan Aik Yong			1,020,000		122,400	168,660
<b>Non-Executive Directors</b>						
Datuk (Dr.) Kelvin Tan Aik Pen			1,435,632	268,643	477,000	339,543
Dato' Jasmy bin Ismail		36,000		13,500		
Selina binti Yeop Junior @ Lope		36,000				
Natasha binti Mohd Zulkifli (appointed on 2 July 2018)		18,000				
Yap Boon Teck		36,000		12,000		
Chew Siew Yeng		36,000		8,500		
Lim Fook Hin		18,000			325,950	113,958
Datuk Jaswant Singh Kler (retired on 24 May 2018)		15,000		6,000		
<b>TOTAL</b>		<b>195,000</b>	<b>7,574,632</b>	<b>308,643</b>	<b>1,540,330</b>	<b>1,057,972</b>
<b>Explanation for departure</b> :						
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>						
<b>Measure</b> :						
<b>Timeframe</b> :						

## Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>Remuneration of 3 senior management who are also Executive Directors have already been disclosed on named basis. However, the Board is of the view that disclosure of remuneration of other senior management staff on named basis will be detrimental to the Company's business interests, given the competitive human resource environment for personnel with the requisite knowledge, expertise and experience in the Company's business activities, where poaching has become common practice. Hence, such disclosure of specific remuneration information may give rise to recruitment and talent retention issues.</p> <p>The Company further believes that the interest of the shareholders will not be prejudiced as a result of such non-disclosure of the identity and remuneration of the Company's top 5 senior management personnel who are not Directors.</p> <p>None of the top 5 senior management who are not Directors, is in any way related to the Directors.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the Audit Committee is not the Chairman of the Board.</p> <p>Members of the Audit Committee, including the Chairman were appointed by the Board based on the recommendation of the Nomination Committee. Under the terms of reference of the Audit Committee which is set out in the TSH Corporate Governance Guidelines, the Chairman must be an Independent Director. No Alternate Director is allowed to be appointed as a member of the Audit Committee.</p> <p>Composition of the Committee may be reshuffled by the Board on the recommendation of the Nomination Committee, as and when required.</p> <p>The terms of reference of the Audit Committee will be periodically reviewed and updated. The last review was conducted on 27 February 2018 and the revised terms of reference is made available on the Company's website at <a href="http://www.tsh.com.my">www.tsh.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee’s findings and recommendations. The company’s financial statement is a reliable source of information.

**Practice 8.2**

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Since the Company’s inception, it has never appointed any former key audit partner as its Audit Committee member. Nonetheless, in line with best corporate governance practice, the Audit Committee’s terms of reference has been updated in February 2018 to include a policy requiring a former key audit partner to observe a cooling-off period of at least 2 years before being appointed as a member of the Audit Committee.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>Based on the policies and procedures established, the Audit Committee is responsible to review the performance of the external auditors on an annual basis based on the following 4 key areas after completion of the year-end audit:</p> <ul style="list-style-type: none"><li>i) quality of service;</li><li>ii) sufficiency of resources;</li><li>iii) communication with management; and</li><li>iv) independence, objectivity and professionalism</li></ul> <p>The Audit Committee may request the Group Managing Director and/or Chief Financial Officer to join the assessment.</p> <p>The Audit Committee is also responsible to review all the non-audit services provided by the external auditors and the aggregate amount of fees paid to them based on the policy and procedures on provision of non-audit services established by the Board. In respect of recurrent non-audit services such as reviewing the Statement of Internal Control, the threshold for the annual total expenditure will be set in advance by the Audit Committee. Any fees for recurring services in excess of the threshold set must be approved by the Audit Committee in advance of the expenditure being incurred. Approval for any other permitted non-recurrent non-audit services has to be sought from the Audit Committee on a case by case basis. All requests for such services must include a detailed description of the services to be rendered and an outline of the maximum fee.</p> <p>The Company is allowed to use the appointed external auditors for non-audit services in cases where these services do not conflict with the auditor's independence.</p> <p>The Audit Committee accepts that certain work of a non-audit nature is best undertaken by the external auditors and appointments are made taking into consideration of their expertise and cost.</p> <p>Two (2) written confirmations of independence have been provided by the external auditors to the Audit Committee before the commencement of and after the completion of the year-end audit for 2018 that they are and have been independent throughout the</p>

	<p>conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</p> <p>The Audit Committee had in April 2018 &amp; 2019 evaluated the performance of the external auditors based on the 4 key areas as mentioned above and feedback obtained from management who had substantial contact with the external audit team throughout the year. The Audit Committee also took into consideration the openness in communication and interaction with the lead audit engagement partner and engagement team through discussions at private meetings which demonstrated their independence, objectivity and professionalism.</p> <p>Further information on the Audit Committee’s activities is disclosed in the Annual Report 2018 under Audit Committee report.</p> <p>The Audit Committee was satisfied with the suitability of the external auditors based on the quality of services and sufficiency of resources they provided to the Group. The Audit Committee was also satisfied that the provision of the non-audit services was not in conflict with the role of the external auditors or their independence and the amount of fees paid for these services was not significant when compared to the total fees paid to the external auditors. Details of fees paid or payable to the external auditors for audit and non-audit services performed during the year are set out in the Additional Compliance Information of the Annual Report 2018.</p> <p>The Audit Committee concluded that the relevant independence of Messrs BDO PLT continued to be met. Accordingly, the Audit Committee unanimously recommended to the Board that a resolution for the re-appointment of Messrs BDO PLT as the Company’s auditors be proposed to shareholders for approval at the forthcoming AGM and the Board has accepted and endorsed this recommendation.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

## Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>During the financial year under review, the Audit Committee comprised of 3 members. As of 24 May 2018, 2 members of the Audit Committee, including the Chairman are members of the Malaysian Institute of Accountants (MIA).</p> <p>On 15 February 2019, Mr Lim Fook Hin who is a member of the Malaysian Institute of Certified Public Accountants (MICPA) was appointed as member of the Audit Committee.</p> <p>All Audit Committee members possess a wide range of necessary skills, financially literate and able to read, analyse, interpret and understand financial statements to discharge their duties effectively.</p> <p>All members of the Audit Committee have the necessary financial, banking experience and commercial expertise and skills required to meet their responsibilities and provide an effective level of challenge to management.</p> <p>The profile of each member of the Audit Committee is set out in pages 40, 43, 45 and 47 of the TSH 2018 Annual Report.</p> <p>To ensure the Audit Committee is able to discharge its duties and responsibilities according to its terms of reference, the Nomination Committee has been assigned to conduct a comprehensive assessment of the effectiveness and contribution of each Audit Committee members on an annual basis and the findings/recommendations are reported to the Board for decision.</p> <p>All Audit Committee members are encourage to continuously update or enhance their knowledge of relevant accounting, auditing, industry and other regulatory requirements so as to keep abreast on various issues facing the changing business environment within which the Group operates to effectively discharge their duties.</p>

	<p>During the year, all members of the Audit Committee attended the following briefing, seminar and talk either individually or collectively:</p> <ul style="list-style-type: none"> <li>• Tax briefing on 2019 Malaysian Budget</li> <li>• Training for Directors: Companies Act 2016</li> <li>• International Congress and Convention Association, Dubai UAE</li> <li>• Corporate Governance Briefing sessions – MSSG report &amp; CG Guide</li> <li>• Non-Financials-Does it Matter</li> <li>• PowerTalk &amp; Directors Dialogue: People, Purpose and performance</li> </ul>	
<p><b>Explanation for departure</b> :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		

### Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company’s objectives is mitigated and managed.

### Practice 9.1

The board should establish an effective risk management and internal control framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>• Enterprise Risk Management Framework has been established</li> <li>• Board of Directors retains overall risk management responsibility</li> <li>• Board of Directors performs risk oversight and delegate day to day decisions to Group Managing Director/senior management</li> <li>• Internal controls are being reviewed by the Board of Directors through the Audit Committee to whom the Internal Audit directly reports</li> <li>• Presence of Control Environment with structure, reporting lines, authorities and responsibilities</li> <li>• Controls activities are selected, developed and deployed through policies and procedures</li> <li>• Internal Audit reports directly to Audit Committee</li> </ul>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company’s objectives is mitigated and managed.

**Practice 9.2**

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>• Risk management policy and procedures were duly approved and adopted</li> <li>• Clearly documented Standard Operating Procedures (“SOPs”) on key aspects and processes are in place</li> <li>• Formal organization structure to govern its operations and its day to day management is in place</li> <li>• Internal control system of check and balance and documented authority limit has been established. These are also audited and tested by internal audit department for any departure</li> <li>• The establishment and maintenance of Group Internal Audit function to assist in providing assurance on the adequacy of its internal control system</li> <li>• The Group Internal Audit function reports directly to the Audit Committee through the presentation of audit report on a quarterly basis</li> <li>• Internal Audit conducts subsequent follow up review to ensure Management has undertaken corrective and preventive measures accordingly</li> <li>• Controls are evaluated and reported with deficiencies highlighted</li> <li>• SOPs are subject to review to cater for changes in risk and processes</li> </ul>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

**Practice 9.3 - Step Up**

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

### Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has established an internal audit function which reports directly to the Audit Committee. The internal audit department communicates regularly with the members of the Audit Committee and the Head of Internal Audit is invited to attend meetings of the Audit Committee. Internal audit activities which are risk-based, are performed by a team of appropriate, qualified and experienced employees.</p> <p>The Audit Committee shall review any appraisal or assessment of the performance of the internal audit function. In evaluating the internal audit, the Audit Committee shall assess its effectiveness against agreed performance criteria such as:</p> <ul style="list-style-type: none"><li>• the overall comprehensiveness of the internal audit plan and its relationship to the strategic objectives of the Company;</li><li>• timely delivery of internal audit services in accordance with the plan; and</li><li>• the competency of internal audit staff and adequacy of resources to achieve the scope as outlined in the plan.</li></ul> <p>The Internal Audit carries out its duties and responsibilities in accordance with the terms of reference set out in the TSH Corporate Governance Guidelines. To provide for the independence of the Internal Audit Department, its personnel report to the Head of Internal Audit, who reports directly to the Audit Committee. The Head of Internal Audit will have direct access to the Audit Committee and able to take directly to the Chair of the Audit Committee, any matter that is believed to be of sufficient magnitude and importance to require immediate attention of the Audit Committee.</p> <p>To maintain its independence, the Internal Audit Department will have no direct operational responsibility or authority over any of the activities under scope. Accordingly, it will not develop nor install systems or procedures, prepare records or engage in any other activity that would normally be audited.</p>
<b>Explanation for departure</b>	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

## Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has received declaration from the Head of Internal Audit that he and his team are free from any relationship or conflicts of interest which could impair their objectivity and independence.</p> <p>All the internal audit personnel are not related to any employees or have business relationships with the Group nor they have served in official capacity previously or provided significant services to the Group in the past.</p> <p>The Internal Audit is staffed by 4 audit executives, including the Head of Internal Audit. The Head of Internal Audit, Terence Ng Si Yik holds a professional accounting qualification from the Association of Chartered Certified Accountants (ACCA), United Kingdom and also a member of the Malaysian Institute of Accountants.</p> <p>The activities of the Internal Audit function are guided by terms of reference of internal audit set out in the TSH Corporate Governance Guidelines and annual audit plan that are approved by the Audit Committee.</p> <p>The Internal Audit function is carried out in accordance with The International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors (IIA).</p> <p>The total cost incurred in managing the Internal Audit Department in 2018 was RM501,000.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Details on the stakeholders engagement can be found on our Sustainability Statement of year 2018.</p> <p>TSH values the dialogue with shareholders and appreciates the keen interest of shareholders on the Group's performance. In this regard, Frederick Tan Aik Yong has been appointed as the person responsible for communication with shareholders and other stakeholders of the Company.</p> <p>It is the Company's practice to share with its shareholders of the Company's responses to questions raised by the Minority Shareholders Watch Group (MSWG) at the AGM.</p> <p>Members of the Board, the external auditors and representatives from the share registrars of the Company are present to answer questions raised at the meeting.</p> <p>A press conference is usually held immediately after the AGM or general meeting where Board members are available to answer question from the press on the Group's activities and performance. Board members are also available before and after these meetings for informal discussions.</p> <p>TSH website provides all relevant information on TSH and is accessible by the public. TSH has dedicated a section on the website to its investors where media releases, credit ratings, quarterly and annual financial statements, announcements, annual reports and circular to shareholders are made available for review.</p> <p>Corporate information and communication and engagement with stakeholders are made through various platforms and media including the Company's website and announcements made via Bursa LINK.</p> <p>The Company has adopted a Corporate Disclosure Policy and Procedures that outlines the policies and processes for communications with shareholders, analysts and investors to ensure that the communications are effective and comply with the applicable</p>

	laws, rules and regulations.  Stakeholders are encouraged to direct their inquiries via email at <a href="mailto:fredtan@tsh.com.my">fredtan@tsh.com.my</a> .
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	
<b>Timeframe</b> :	

**Intended Outcome**

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

**Practice 11.2**

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

<b>Application</b>	:	Not applicable	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	28 days' notice has been given in respect of the Company's 39 <sup>th</sup> AGM scheduled to be held on 28 May 2019.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.2**

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	At the last AGM held on 24 May 2018, all the 10 Directors were present in person to engage directly with shareholders. The Chairman of the Audit Committee, Nomination Committee and Remuneration Committee was available to provide meaningful response to any question raised by shareholders.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>It is not the Company's practice to hold general meetings in remote locations. For the past 18 years, the Company has exercised its best endeavour to hold its general meetings at the same venue, ie Eastin Hotel, Petaling Jaya as most shareholders were familiar with the venue which was easily accessible.</p> <p>In addition, the Company's Constitution allows its shareholders to appoint representatives or proxy/proxies to vote on their behalf in their absence provided that the proxy form is deposited at the registered office or such other place as indicated in the notice of meeting, at least 48 hours before the general meetings.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES  
PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA  
MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

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